

Accounting for Capital Assets in Proprietary and Fiduciary Trust Funds

The table of estimated useful lives included in this section is for the benefit of all LEAs, whether or not they operate proprietary or fiduciary trust funds. In the new reporting model established by GASB Statement 34, all capital assets and depreciation are reported in the government-wide statements, and a schedule of capital assets is included in the notes to the financial statements.

Capital Assets of Proprietary Funds

Unlike capital assets relating to general governmental activities, capital assets of proprietary funds (enterprise funds and internal service funds) are recorded in the respective funds. These funds should reflect their capital assets for the following reasons:

- Capital assets are used in the production of the funds' services or products.
- Depreciation on the capital assets is an essential element in determining the funds' total expenses, net income, and changes in fund equity.
- Capital assets may serve as security for the issuance of debt by enterprise or internal service funds.

A proprietary fund must account for capital assets and related depreciation charges in a fashion that complies with the accounting and reporting standards applicable to commercial enterprises.

Capital Assets of Fiduciary Trust Funds

Similarly, fiduciary trust funds must account directly in their financial statements for their specific capital assets. This manner of accounting for capital assets by trust funds results in the following benefits:

- Enhances the likelihood of compliance with trust agreement terms

- Discourages mismanagement of trust assets
- Facilitates the computation of depreciation when the trust corpus must not be spent

Acquisition and Depreciation of Capital Assets in Proprietary and Fiduciary Trust Funds

In proprietary and fiduciary trust funds, outlay for acquisition of capital assets is charged to the appropriate asset account for Land, Buildings, Equipment, or Work in Progress (see Procedure 204).

Depreciation of capital assets is charged to Object 6900, Depreciation Expense.

Estimated Useful Lives of Capital Assets

Estimated useful life means the estimated number of months or years that an asset will be able to be used for the purpose for which it was intended. Estimated useful lives are used to allocate depreciation expense to the appropriate periods.

In estimating an asset's useful life, LEAs should consider the asset's present condition, use, construction type, maintenance policy, and how long the asset is expected to meet service demands.

LEAs may depreciate assets either individually or in groups. If the LEA elects to depreciate assets in groups, the estimated life of the group may be based on the weighted average or the simple average of the useful lives of the individual items or on an assessment of the life of the group as a whole.

The following table of estimated useful lives is included for general information only. Estimation of useful lives should be a local decision based on local factors. LEAs are not required to utilize the estimated useful lives suggested in this table.

Table of Estimated Useful Lives

The following table is provided as general guidance regarding reasonable estimated useful lives. In estimating an asset's useful life, LEAs should consider the asset's present condition, use of the asset, construction type, maintenance policy, and other local variables.

ASSET CLASS	EXAMPLES	YEARS
Land		N/A
Site Improvements	Paving, flagpoles, retaining walls, sidewalks, fencing, outdoor lighting	20
School Buildings		50
Portable Classrooms		25
HVAC Systems	Heating, ventilation, and air conditioning systems	20
Roofing		20
Interior Construction		25
Carpet Replacement		7
Electrical / Plumbing		30
Sprinkler / Fire System	Fire suppression systems	25
Outdoor Equipment	Playground, radio towers, fuel tanks, pumps	20
Machinery & Tools	Shop & maintenance equipment, tools	15
Kitchen Equipment	Appliances	15
Custodial Equipment	Floor scrubbers, vacuums, other	15
Science & Engineering	Lab equipment, scientific apparatus	10
Furniture & Accessories	Classroom and office furniture	20
Business Machines	Fax, duplicating & printing equipment	10
Copiers		5
Communications Equip	Mobile, portable radios, non-computerized	10
Computer Hardware	PC's, printers, network hardware	5
Computer Software	Instructional, other short-term	5 to 10
Computer Software	Administrative or long-term	10 to 20
Audio Visual Equip	Projectors, cameras (still & digital)	10
Athletic Equipment	Gymnastics, football, weight machines, wrestling mats	10
Musical Instruments	Pianos, string, brass, percussion	10
Library Books	Collections	5 to 7
Licensed Vehicles	Buses, other on-road vehicles	8
Contractors Equipment	Major off-road vehicles, front-end loaders, large tractors, mobile air compressor	10
Grounds Equipment	Mowers, tractors, attachments	15

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